

## Medicare Prescription Drugs

The conference agreement on the Republican budget resolution includes \$40 billion over five years for Medicare reserve funds. Although the conference agreement provides the \$40 billion, it does not resolve the structural differences between the House and Senate versions of the reserve fund. These reserves may be used for similar purposes, including a prescription drug benefit. However, the conditions attached to the use of reserve funds differ significantly.

Furthermore, the conference agreement does not include reconciliation directives in either body for the Medicare reserves. Therefore, neither the House nor the Senate is required to act on any Medicare or prescription drug legislation at all.

### Two Reserve Funds for Medicare

Unlike the Democratic alternative resolution, which provided an immediate Medicare prescription drug benefit for all seniors, the conference agreement increases Medicare spending by \$40 billion over five years (2001-2005) relative to projections of current law by creating two reserve funds for Medicare. It creates a House reserve fund and a Senate reserve fund for prescription drug benefits and other Medicare reform or legislation.

### The House Medicare Reserve Fund

The House Medicare reserve fund follows the House resolution. It increases Medicare spending by \$2.0 billion for 2001 and \$40 billion over five years (2001-2005) relative to projections of current law. The House reserve fund provides for an undefined Medicare reform plan and an undefined prescription drug benefit. The drug benefit appears to be available only if it is part of the reform plan. The conference agreement describes a bill that “reforms the Medicare program *and* provides coverage for prescription drugs.” (emphasis added)

- ***Undefined Prescription Drugs*** — Unlike the Democratic alternative, the conference agreement does not require that the undefined prescription drug benefit be available to all Medicare beneficiaries through the Medicare program.

When House Republican leaders recently unveiled their principles for a prescription drug plan, it became clear that the Republican drug plan is not a defined Medicare benefit. Instead, it will be a voucher intended to offset some of the costs of private insurance coverage that provides whatever benefits an insurance company may decide to offer.

In addition, the Republicans do not intend to provide universal prescription drug coverage for all seniors through the Medicare program. According to the Republican principles,

only low-income seniors will have benefits. Even these seniors will then have to fend for themselves and hope that an insurance plan in the private market might meet some of their needs for prescription drug benefits.

- ***Republican Plan Ignores Half of Those Without Drug Coverage*** — The guidelines announced by the Republicans appear to provide benefits for low-income seniors only. An income-tested prescription drug benefit ignores the needs of the majority of Medicare beneficiaries. Over half of those without Medicare drug coverage have annual incomes *above* 150 percent of poverty (\$12,525 for singles; \$16,875 for couples), which may be the Republican cut-off point.
- ***Undefined Medicare Reform*** — The undefined Medicare reform package envisioned by the conference agreement may consist of increased provider payments or a major overhaul of the Medicare program. In the past, a key feature of Republican proposals to restructure Medicare has been replacing the current guaranteed defined benefit with a defined contribution. This means ending the universal entitlement to health care and replacing it with a voucher covering a portion of a person's costs for a private insurance plan.

### **The Senate Medicare Reserve Fund**

The Senate Medicare reserve fund also increases Medicare spending by \$40 billion over five years (2001-2005) relative to projections of current law. The reserve is divided into two equal parts and the allocation of the \$40 billion must not cause an on-budget deficit in any fiscal year.

- ***Prescription Drugs*** — The first part of the Senate reserve provides \$20 billion over five years (2001-2005) for an undefined prescription drug benefit provided through the Medicare program, not the private market.
- ***Other Medicare Legislation*** — The second part of the reserve provides another \$20 billion over five years (2001-2005) for unspecified Medicare legislation that extends the solvency of the Medicare Trust Fund without the use of new general fund subsidies. These funds may also be used “to continue or improve access” to the Medicare drug benefit provided by the first part of the reserve.

For further discussion of Medicare, see *Function 570: Medicare*.